

Facts about SBA's Low Doc and SBA Express

Streamlined for Success

The SBA's Administrator, Aida Alvarez, is announcing the further streamlining and expansion of two pilot programs, SBA Express and SBA Low Doc. These programs, coupled with enhanced management reporting and control systems, are expected to serve as cornerstones in the Agency's transition to a stronger and more responsive 21st century leading-edge financial institution. They also help SBA fulfill its mission to help small businesses succeed.

Small businesses need greater access to capital and credit and they have a greater need than ever for *small* loans. SBA Express and SBA Low Doc loans were designed to meet this need. The programs have now been improved and streamlined based on successful pilot programs.

The new features include:

- Further streamlining of the application process for both lenders and small business borrowers.
- Increasing the loan amount on both programs from \$100,000 to \$150,000.
- Nation-wide expansion that allows several hundred new lenders to participate in SBA Express.
- ~~Instituting a~~New internal review and control procedures to monitor the new programs to maintain the excellent credit quality of SBA's loan portfolio.

Background

- This country's 23 million small businesses employ 53% of the nation's workforce and need quick access to routine, small loans.
- As part of the Clinton Administration's Reinvention of Government, the SBA responded by creating two new pilot programs, the Low Doc

program in 1994 (right?) and ~~FaA\$TRAKtrak~~ (now renamed SBA Express) in 1995.

- Low Doc was open to all SBA lenders. It streamlined the application process and relied on a simplified credit analysis. As a result, it created a marketplace for smaller commercial loans where none had existed in the past. In FY 1997, 15,000 Low Doc loans were processed for more than \$847 million.
- ~~FaA\$TRAKtrak~~, the second pilot, created in 1995, was for 18 pilot participants only. The program aimed at simplifying processing requirements for these lenders by authorizing them to use mostly their own forms, analyses and procedures to process, service and liquidate SBA-guaranteed loans. During FY 1997, these participants approved about 4,100 loans for \$191 million.
- SBA is so pleased with the results of these pilot programs it is now expanding both programs to additional lenders. While this means transferring additional autonomy and authority to lenders which could increase the Agency's risk, SBA believes it has minimized this risk by significantly improving its lender reporting systems and its own program monitoring capability.
- SBA believes these changes will produce substantial increases in SBA loan processing efficiency and effectiveness with little or no negative impact on the overall quality of the Agency's portfolio. Also, the programs have allowed the Agency to introduce and test electronic loan processing via the Internet, which could further improve future SBA loan processing.

The Major Changes

- The maximum loan size for both programs is being raised from \$100,000 to \$150,000. This extra \$50,000 will meet the expanded demand of small businesses for more capital.
- No more waiting days for loans to be processed: All applications will be processed in SBA centers within 36 hours. In many cases, applications

will be processed even faster. Formerly, the turn-around time was an inconsistent 3 days.

- SBA Express (the new name for the ~~Fa\$trak~~ **TRAK** pilot) will allow lenders to provide their small business clients access to much needed revolving credit. This feature will allow lenders to satisfy their clients' need for immediate short term working capital.
- SBA Express will allow as many as 250 or more new lenders to participate in the program, the better performing lenders participating in the Agency's Preferred Lenders Program (PLP).
- Low Doc and SBA Express will be carefully reviewed during Monthly Risk Management Meetings and these reviews will extend to the performance of individual lenders and specific geographic areas relative to established norms and benchmarks. This will enable SBA to quickly identify and address any problems that arise.
- The improvements to these two programs will allow lenders an unprecedented opportunity to penetrate new and untapped markets. They offer clients easier access to the capital and credit they need to start, build and grow their businesses into the 21st Century.